

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 COME-00 EB-07 INR-07
LAB-04 NSAE-00 SIL-01 DODE-00 PM-04 H-01 L-03 NSC-05
PA-01 PRS-01 SP-02 SS-15 USIA-06 TRSE-00 /083 W
-----061754Z 094178 /47

R 061729Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4477
INFO AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
USMISSION USBERLIN
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY ROME
USMISSION EC BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
AMEMBASSY STOCKHOLM
AMEMBASSY LUXEMBOURG
AMEMBASSY COPENHAGEN
USMISSION GENEVA
AMEMBASSY LISBON
AMEMBASSY MADRID
AMEMBASSY REYKJAVIK
AMEMBASSY ATHENS
AMEMBASSY ANKARA
AMEMBASSY OTTAWA
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E.O. 11652: N/A
TAGS: ELAB, GW
SUBJECT: GERMAN TRADE UNIONS CRITICIZE GOVERNMENT POLICY

REF: BONN 21122 (1976)

SUMMARY: RECENT STATEMENTS OF DGB PRESIDENT HEINZ

OSKAR VETTER AND OTHER PROMINENT TRADE UNION LEADERS ABOUT THE SPD/FDP COALITION'S POLICY ARE MORE CRITICAL THAN AT ANY TIME SINCE THE COALITION'S FOUNDING IN 1969. THIS DISSATISFACTION FOCUSES ON ISSUES RAISED BY CHANCELLOR SCHMIDT'S RECENT GOVERNMENT DECLARATION BEFORE THE BUNDESTAG (REFTEL): THE FINANCIAL PROBLEMS OF THE SOCIAL SECURITY AND HEALTH INSURANCE SYSTEM, UNEMPLOYMENT, AND IMPLEMENTATION OF THE NEW CODETERMINATION LAW. THE DGB, WHICH HAS LONG BEEN A CRITIC OF THE FDP AND ONLY GRUDGINGLY ACCEPTED THE PRESENCE OF THE FDP AS THE JUNIOR COALITION PARTNER IN THE GOVERNMENT, BELIEVES THE TAIL IS WAGGING THE DOG AND THAT SCHMIDT MUST REALIZE THAT THERE ARE LIMITS TO WHAT THE UNIONS WILL BEAR. END SUMMARY.

1. IN AN INTERVIEW WITH "DER SPIEGEL" VETTER INDICATED THAT "THE HONEYMOON WITH THE COALITION IS PAST." VETTER WAS PARTICULARLY CRITICAL ABOUT THE FAILURES OF GOVERNMENT POLICY TO REDUCE UNEMPLOYMENT. IT IS APPARENT FROM VETTER'S STATEMENTS AND THOSE OF PRESIDENTS OF DGB INDUSTRIAL UNIONS THAT THE DGB WILL NOT CONTINUE ITS 1976 POLICY OF WAGE RESTRAINT, PRAISED BY SCHMIDT IN HIS DECEMBER 16 GOVERNMENT DECLARATION IN THE BUNDESTAG. UNION LEADERS CLAIM THAT THE WAGE RESTRAINT DURING THE 1976 COLLECTIVE BARGAINING ROUND HAS NOT BEEN USED FOR JOB CREATION BUT RATHER HAS RESULTED IN WINDFALL PROFITS WITH NO INVESTMENT OF A JOB-CREATION NATURE. FOR THIS REASON, THE UNIONS HAVE INDICATED THEY WILL PRESS THIS YEAR FOR LIMITED OFFICIAL USE

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A SHARE OF THE PROJECTED ECONOMIC GROWTH AND ARGUE THAT THE RESULTING INCREASED CONSUMPTION WILL HAVE A MORE FAVORABLE EFFECT ON JOB CREATION THAN INCREASED PROFITS FROM WAGE RESTRAINT. IN AN ATTEMPT TO DEAL WITH UNEMPLOYMENT, VETTER HAS ALSO PROPOSED REDUCTIONS IN WORKING TIME AND CUTBACKS IN OVERTIME, IF OTHER GOVERNMENT MEASURES DO NOT PRODUCE MORE EMPLOYMENT IN THE NEAR FUTURE.

2. THE DGB, IN A NUMBER OF PUBLIC STATEMENTS, HAS INDICATED ITS DISSATISFACTION WITH SOME OF THE GOVERNMENT PROPOSALS FOR IMPROVING THE FINANCIAL SITUATION OF THE SOCIAL SECURITY SYSTEM. THIS DIALOGUE NOW REPRESENTS ONE OF THE HOTTEST POLITICAL ISSUES FACING THE NEW GOVERNMENT AND WILL UNDOUBTEDLY CONTINUE UNTIL THE GOVERNMENT AND THE BUNDESTAG DECIDE WHAT CORRECTIVE MEASURES WILL BE ADOPTED .

3. ON THE ISSUE OF CODETERMINATION, THE DGB WAS DIS-

SATISFIED WITH THE COMPROMISE BILL APPROVED BY THE BUNDESTAG DURING THE 1976 LEGISLATIVE SESSION, BUT WAS WILLING TO COOPERATE WITH THE IMPLEMENTATION OF THE NEW LAW. HOWEVER, INDICATIONS OF NEW DEMANDS BY THE FDP IN COALITION NEGOTIATIONS (SUCH AS NEW IMPLEMENTING REGULATIONS WHICH WILL STRENGTHEN THE POSITION OF THE SEPARATE REPRESENTATION OF MANAGEMENT EMPLOYEES - LEITENDE ANGESTELLTE - IN COMPANY SUPERVISORY BOARDS) HAVE AROUSED STRONG NEGATIVE REACTIONS FROM THE DGB.

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4. THE RECENT RESIGNATION OF LABOR MINISTER ARENDT, ONE OF THE PREVIOUS GOVERNMENT'S MOST POPULAR MINISTERS, AND THE QUICK SELECTION OF THE NEW LABOR MINISTER DR. HERBERT EHRENBERG, WITHOUT CONSULTATION WITH THE DGB, ALSO DISPLEASED MOST TRADE UNION LEADERS.

5. COMMENT: IRONICALLY, SOME OF THE MOST DIFFICULT POLITICAL AND ECONOMIC PROBLEMS THE GOVERNMENT FACES -- ESPECIALLY WITH THE SOCIAL INSURANCE PROGRAMS -- ARE AT LEAST INDIRECT RESULTS OF SUCCESS OF THE DGB AND THE SPD/FDP COALITION IN ACHIEVING THEIR SOCIAL REFORM GOALS. THE UNEXPECTED SEVERITY OF THE RECESSION, RESULTING IN SUBSTANTIALLY REDUCED EMPLOYMENT AND LOWER REVENUES TO FINANCE MANY OF THE HIGHER COSTS, CREATED DIFFICULT PROBLEMS FOR THE SOCIAL INSURANCE AND OTHER REFORM PROGRAMS. ANY REMEDIES INVOLVING INCREASED CONTRIBUTIONS FOR PENSION FUNDS OR MEDICAL INSURANCE, OR REDUCED BENEFITS WILL BE BITTER PILLS FOR THE DGB TO SWALLOW. THE DGB ALSO APPEARS TO BE SLOWLY ABANDONING ITS TOLERATION OF CONTINUED RELATIVELY HIGH UNEMPLOYMENT LEVELS DESPITE ITS PAST CLOSE LINKS WITH THE GOVERNING SPD WHICH WOULD PREFER A LOWER-KEY PUBLIC TREATMENT OF THE PROBLEM. ALL OF THESE FACTORS, COMBINED WITH THE LOSS OF LABOR'S ADVOCATE WALTER ARENDT FROM THE CABINET, TEND TO DISTURB THE PAST FRIENDLY RELATIONS BETWEEN THE SPD AND THE DGB AND ADD TO CHANCELLOR SCHMIDT'S AND THE NEW SOCIAL/LIBERAL GOVERNMENT'S PROBLEMS DURING 1977. STOESEL

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